

20 July 1957

Copy No. 136

**CURRENT
INTELLIGENCE
BULLETIN**

DOCUMENT NO. 17
CLASSIFIED BY 17
CLASSIFIED TO: TS S C
NEXT REVIEW DATE: 2010
AUTHORITY: HR 70-2
DATE: 4-1-80 REVIEWER: []

**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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1. BULGANIN DEMOTION MAY BE IMMINENT

Comment

This supports other evidence that Bulganin may be demoted. He was in the background during the Prague visit and his speeches received only cursory treatment in the Soviet press. However, he has appeared in public regularly since his return from Prague and his official status might continue unchanged for some time to come. Molotov, who was censured in July 1955 by the central committee, retained his post as foreign minister until June 1956.

2. YUGOSLAVS HAVE SECOND THOUGHTS ON KHRUSHCHEV

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A high-level Yugoslav Foreign Ministry official indicated to the US embassy on 18 July that Belgrade now feels there is "some rational basis" for Western distrust of the new Kremlin leadership. Commenting on Khrushchev's recent speech in Prague, he said that the fact that Khrushchev found it necessary to attack Yugoslavia "proved" he is encountering opposition "on both the right and left."

While the Yugoslavs expect a visit by Soviet President Voroshilov soon, one by Khrushchev is unlikely. A Tito visit to the USSR depends a great deal on the outcome of the current economic talks in Moscow and "other manifestations of Soviet policy toward Yugoslavia."

Comment The fact that the Yugoslavs feel Khrushchev may be forced to compromise with "Stalinists" in both internal and external policy indicates that the Tito regime has become less optimistic concerning a Yugoslav-Soviet rapprochement.

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3. EARLY RETURNS SHOW LARGE COMMUNIST GAINS IN CENTRAL JAVA ELECTIONS

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Early returns in the Central Java provincial elections, chiefly from cities, show the Communists leading and making large gains compared to the 1955 national elections when they finished a strong second to the National Party. Of the approximately 400,000 votes so far counted, 61 percent are Communist. Although the non-Communist parties will probably show greater strength in the rural areas, they are believed to have lost some ground there to the Communists also.

Communist gains have been almost exclusively at the expense of the National Party, which was strongly supported by President Sukarno in 1955. The two Moslem parties, the Masjumi and Nahdlatul Ulama (NU), are trailing far behind.

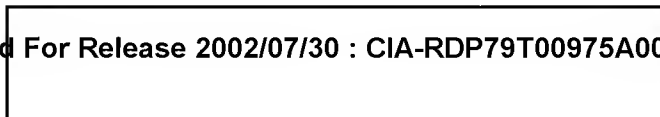
The Communists' showing in Central Java is attributable to vigorous campaigning and their identification with President Sukarno in his campaign for "guided democracy." A victory there would enhance Communist prospects of winning the provincial elections in East Java which are now scheduled for 29 July. In 1955, the Communists in this region finished a close second to the NU.



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4. RHEE CALLS FOREIGN TROOPS A HINDRANCE TO KOREAN UNIFICATION

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President Rhee's statements to CBS-NBC representatives on 18 July advocating the withdrawal of all foreign troops in order to unify Korea "were apparently

carefully stated," according to American Ambassador Dowling. In a departure from his past position, Rhee stated that "foreign troops keep us divided--they keep us from unifying Korea." He also intimated that he would be receptive to an invitation to attend an international conference for the unification of Korea.

Dowling notes that Rhee's remarks suggest he clearly envisages a prior Chinese Communist troop withdrawal and a promise not to return as the price of his agreement to the removal of all foreign troops. The ambassador suggests that Rhee's statements may have stemmed from the President's recent restiveness regarding the lack of activity for unification.

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